

# **A G E N D A**

## **BUDGET COMMITTEE MEETING MARCH 29, 2005**

**6:00 p.m.**

**Milwaukie City Hall  
Council Chambers  
10722 SE Main Street**

- 1) Call to Order – Chair David Aschenbrenner
- 2) Introductions and Roll Call
- 3) Election of Officers, Chair and Secretary – Chair David Aschenbrenner
- 4) Consider Minutes of May 17, 2004
- 5) 2005 – 2006 Budget Message and Budget Officer's Balanced  
Budget Proposal – City Manager Mike Swanson
- 6) Additional Budget Committee Comments
- 7) Public Comments
- 8) Draft Capital Improvement Plan – Engineering Director Paul Shirey
- 9) Additional Budget Committee Comments
- 10) Set Future Meeting Dates for Public Comment and Budget Committee  
Deliberation and Motions
- 11) Adjourn

**MINUTES**  
**BUDGET COMMITTEE MEETING**  
**MAY 17, 2004**

**Budget Committee Chair David Aschenbrenner** called the meeting to order at 6:05 p.m. in the City Hall Council Chambers.

Budget Committee members present: Art Ball, Deborah Barnes, Jim Bernard, Larry Lancaster, Joe Loomis, Jean Michel, Leslie Schockner, and Susan Stone.

**Approve Budget Committee Minutes**

**It was moved by Bernard and seconded by Barnes to approve the Budget Committee minutes of March 31, 2004, April 7, 2004, April 14, 2004, and April 28, 2004. Motion passed unanimously among the members present.**

**Review Recommended Budget**

**Budget Officer Mike Swanson** reviewed his recommended changes from the proposed budget that was submitted about three weeks ago. Some changes were a result of further review and others were based on comments made at the previous meetings.

The police field services budget had some errors that he proposed changing. He recommended, for example, increasing the salary line item from \$1,595,239 to \$1,604,377. The incentive pay line item is currently budgeted at \$7,879, and he recommended increasing that to \$124,069. When he looked at the actual expenditures a change was made about a year ago to pay both the incentives and salaries out of the salary line. In calculating the salaries for presentation in the proposed budget, the incentives were not picked up. Incentives were a number of things with the most prominent being the educational incentives. Officers are compensated an additional amount per month for an associates degree or a bachelors degree. He did not anticipate the question of how much, so he did not have his collective bargaining agreement with him. When you look at the history up through the ten months of this year, you will see that salary line item is being exceeded because the incentives and salary are being taken out of that line item. He had to make an adjustment. He does budget those at 100% assuming that we are going to be at full employment and have no turn over. Each officer is reviewed to determine his/her eligibility and the amount is figured to the penny. When you increase salary, you increase social security or FICA, so he had to make small increases in that because he had to apply the percentage normally taken out. The PERS line item was one that puzzled him because the amount budgeted was actually the amount that was also budgeted under the

FICA category. It was an incorrect amount, so he had to change that. Both the office supplies and public safety supplies line items were based on inaccurate historical data. He will look at where we are in the current year and compare to previous years to predict what will be spent. General fund fire operations holds them constant through the current year and applying a modest percentage increase to the next fiscal year. He recommended an increase from \$2,880,000 to \$2,891,000 to keep with the rate.

Last week there was an article about the countywide library levy in November 2004. A poll showed substantial support for the levy. As he considered where the City was, he could not justify not positioning the library in a place that would allow them to capture more funding if it can in fact increase circulation. With the levy at least at this point in time looking like it has a good chance to be successful, he recommended Milwaukie put itself in a position to capture as much circulation as possible and take advantage of a hopefully successful levy.

The water fund transfer was simply an error. It was not carried over but was in fact budgeted as a transfer out but not as a transfer in.

The City was working on a small annexation that would require some sewer improvements that will be financed through a reimbursement district. Some dollars have to be budgeted to fund those improvements in advance of collecting back for them. This was a project that arose between the time the budget process began and today.

The storm sewer master plan update would not be completed in this current fiscal year, so some funds will have to be carried over in order to complete and pay for the master plan update in the storm sewer fund.

The City still did not have employment agreements with both unions. He had not included salary increases beyond those that would occur as step increases. That would have to occur at some time in the future – probably sometime within the next month or two. Unfortunately, that would require going after the contingency. Last year it was taken from \$1 million to \$950,000. He recommended it in the proposed budget at \$900,000, and he believed it would have to be dropped again in order to balance the budget. He would not be shy in saying if the Qwest lawsuit was favorably decided that the majority that money should be placed in contingency. Hopefully, there would be enough left to pay off the loan from the water fund. Dropping the contingency was not an easy thing to do.

Just prior to this hearing, a Budget Committee member noted the substantial increases from the proposed budget. Where did all that money come from? What Swanson had done was push things to the limits. In the area of property taxes, the City received a statement annually from the assessor's office that estimated the growth rate. This year, the assessor suggested a reasonable figure to use would be 2.5%. In the original proposed budget, Swanson used 2%

because he tried to be conservative. In order to come up with the revenues to justify these expenditures, he went with the 2.5%. The City also used in the proposed budget an uncollectable rate of about 93%. The annual audit hovered around 93.8%. He captured that .8% to balance the budget. Normally his stance was much more conservative. Also, staff attempted to predict the fund balance. He recommended setting the fund balance where he truly thought it would be. He pushed property taxes, the fund balance, and when the labor agreements were signed, he would push the contingency. Did he feel good about this? It was not as conservative as he would like it to be, so the budget would have to be watched carefully.

The final issue was the proposed new operations supervisor position. He was no less convinced of the importance of this position. To him, having the function was more important than having the additional person. He suggested leaving the budget as it was and run an internal recruitment. If an appropriate candidate were found by running the internal recruitment, then he would look at combining the current functions with those of the operations supervisor. There would be no net increases in positions, but there will probably be small adjustments in salary. If an internal candidate was not found or the functions could not be matched, then the position would not be hired in that fiscal year.

**Mr. Swanson** reviewed the proposed resolution. The statute did require the Budget Committee to set out the rate or the amount. In this case there were two funds that existed on the property tax: the General Fund and the Public Safety Debt Service Fund. These would have to be specifically cited when there was a motion.

**Mr. Bernard** understood the general fund commitment to the library would be reduced if the countywide levy passed.

**Mr. Swanson** said the County Commissioners did not require a maintenance of effort. They did not say a condition of receiving funds should be continued support at the current level. If the levy passed there would have to be an interpretation of whether voters wanted to see a reduction or an increase. He anticipated recommending something less, but in no event less than what the library was currently getting. He would have to recapture some of that money in order to restore some contingency because that really concerns him. If the library levy were not out there, he probably would not be making this recommendation. He thought it was an opportunity, and the City could not handcuff the library.

**Mr. Ball** asked how close this got to a balanced budget.

**Mr. Swanson** said the budget is balanced as required by statute. If an expenditure was added, then there had to be a revenue to balance it.

## Citizen Comments

- **Pat Healey**, 8831 SE 41<sup>st</sup> Avenue, Library Board member, and **Mark Docken**, 12447 SE 41<sup>st</sup> Court, Library Board member.

**Mr. Healey** said the last time members of the Board met with the Budget Committee, the Ledding Library budget showed a \$38,000 shortfall. The Board was pleased the City Manager proposed a solution and appreciated his hard work. The Board hoped the Budget Committee would approve this as well. He felt it was imperative for the City to continue its solid support of the Library as a key to the revitalization of Milwaukie's downtown. The Library brought people to the City both day and evening and was a key to the prosperity of the businesses that the City hoped to attract to its downtown. Hours of operation and materials available should be increasing. The Library was strongly supported by Milwaukians of all ages and was a place for young people to meet after school. The Board continued to feel the Library should not suffer future reductions based on solid evidence. There was a lot more to running a library than just checking out books. He provided some basic facts:

100 – 200 items were checked out hourly; 2,500 questions were answered monthly by reference librarians in adult and children's services; 200 items per hour need sorting and shelving; 7,000 items were sent and 5,000 borrowed each month through interlibrary loans; 60 interlibrary loan transactions each hour; 700 items were added to the library collection in one month; 500 people attended 19 juvenile programs in an average month; and 60 volunteers donated 400 hours per month to keep the library functioning.

Increases in costs were things over which the Library has no control, so further budget cuts would be a critical loss. In addition, the Board proposed adding back 3.5 hours on Thursday evening. The Board requested a \$13,250 increase to hire two Library Aides 1. The City Manager agreed to fund this amount as a wise expenditure. This moderate increase would be amply supported by increased circulation revenues from the County. This year's rate is \$1.19 per item times 170 items per hour would far exceed the increased expenditure and would in fact reflect an additional revenue in excess of \$20,000. It could also be the basis for increased hours of operation in the future. The Board believed the Ledding Library was an essential service to the City of Milwaukie and the patrons of the county system. He stressed the Board's request to stay whole and add back Thursday evenings was legitimate from the standpoint of the children's library program. Keeping the library open in the evenings was like spending a small amount for a community center. Kids were kept off the streets and learned values of the community while increasing the circulation of the Library. Investing in our future was critical to our society and our City. The staff and Board would be happy to provide the Budget Committee with any additional information. He strongly requested there be no additional cuts to Library services and hours and that the Library be allowed to remain open on Thursday evenings. The Board

thanked the Committee for its consideration and understood it was a very hard job.

**Mark Docken** viewed things differently and looked at it as a business model. One wanted to optimize hours to get the most revenue, but instead Milwaukie cut hours. Lake Oswego, West Linn, and Wilsonville all went the other way. Lake Oswego was open 65 hours and was getting the most revenue from the County. He would like to go back and mirror Milwaukie's hours after Lake Oswego's. The more hours, the more revenue one got. One could win all they way around. This was normal business modeling.

**Amanda Wade**, 4953 SE Winworth Court, Milwaukie. The majority of her experience and involvement with the Ledding Library had been in the children's section. She enjoyed her evenings at the Library with the book group or just looking for a good book. She loved to read, and the greater part of what she reads was found downstairs. The children's library had most of the material she used for research. It was more readable and understandable. She even found craft and cookbooks that are fun and useful. Her younger brother was an avid reader, and each day he surprised her with a new fact he learned from a new book. All of the resources he needed were found in the children's library. It was a great place for children of all ages to grow and thrive. For her family, it was difficult to get to the library before 4 p.m. on any weekday. For research, pleasure reading, or participating in the book group, those few evenings per week were really valuable. The book group had been one of her favorite parts of the children's library. She had been introduced to many great books and new authors. The group inspired her to be creative and to see other people's views with an open eye. The group read and discuss some of her favorite books. These books may have never been of any interest to her without the recommendation of the other members and the leader. Before she joined, she usually had one way of thinking about a book. That soon changed as she listened to what other people thought, and she questioned her own views. The group encouraged members to read and helped them choose good books and develop their own opinions. She would hate to see this opportunity limited or lost. Whether it was discussing an interesting book, investigating scientific, historical, or cultural ideas, or simply looking for a good read. The children's library had an atmosphere that suits her perfectly. She was afraid by reducing the hours some of her most inspiring resources – books and people – would be difficult to access.

**Garvin Ryder**, 29<sup>th</sup> Avenue, Milwaukie. He was a practicing attorney in Portland. He and his two children aged 3 and 6 went to the children's library 2-3 times per month. He was concerned that the City Council was even considering cutting back nighttime hours at the children's library. He worked for a living. If he could not take the kids to the children's section of the library after work, there would not be a library in his family. As a working parent, this was the opportunity for a learning experience with the children. The library was a major part of the kids'

education and socialization that would be gone. This was a great resource. The children's librarians at Ledding were phenomenal. They had great reading programs and were great with small children. It has encouraged them to appreciate reading in a way that was difficult to do at one's own home. There was the exposure to all the books and the browsing. If the children's library closed, he would not be able to have that experience with his kids. It was already difficult with the children's library being closed two nights a week. What else was there in the community that duplicated this type of free education?

**Chair Aschenbrenner** initially brought that question up, and the librarians opened his eyes to the issues. Mr. Swanson's latest proposal restored all the evening hours.

**Rebecca Brown** and son **Connor** 12119 SE 22<sup>nd</sup> Avenue, Milwaukie. She attended this meeting because she heard there was a discussion of closing the children's library. She advocated for a variety of groups – parent, teacher, and those in the community are most vulnerable. Connor had been going to the library on a regular basis since he was a baby. The programs were wonderful, and the evening story times were his most positive group experience prior to his entering school. Connor's school, for example, did not have a library, so it used the public library solely for its circulation needs. Many children were in care after school, so there was only the evening to go to the library. She was concerned about the message it sent to children about their importance to the community. The library was valuable, and many people could only go there in the evenings.

**Judy Croft** was a Milwaukie resident for 38 years. She took her children to the programs and now she was taking her grandchildren. They have moved from not having too much interest in reading and in books to being really excited about going to the library and being in the summer reading program. She felt very strongly about supporting the library and keeping it open in the evenings for working parents. There was so much bad in our world, and this was one place kids could go to learn about wonderful things.

#### Budget Committee Deliberations

**Mr. Loomis** appreciated Swanson's hard work and like what he has seen.

**Mr. Ball** hoped the City collected all the taxes so the budget will balance and expressed his appreciation Swanson's efforts.

**Ms. Schockner** wrote a memo before the meeting started, and Swanson took the time to answer as many questions as possible. She supported his recommendations. She requested that in the next budget process it would be helpful to have the current year's estimated expenditures. It was much easier to see if the proposal was tracking given that people had cut back. She appreciated

working with everyone on the Committee. The level of commitment, integrity and caring had been exceptional.

**Ms. Stone** concurred with Schockner's suggestion.

**Mr. Lancaster** agreed with the previous comments. He supported the budget with several important caveats. Swanson used three words repeatedly, "pushing the limit." The fact was, Mr. Swanson was at the limit now. Next year it could all be different. The City was anticipating possibly \$3 per gallon gas, which would have a huge economic impacts. Maybe this meant people would walk to the library and increase circulation. His point was that the City continued to strangle the library by trying to fund it out of the general fund. He said it last year, and he would say it again – I think we are doing our library a huge disservice if the City does not do everything it can to get it back out on the levy circuit for adequate funding so it can develop and grow and be successful until an independent funding plan can be developed. The City could not continue to fund the library out of the general fund. The City was also dangerously close to serious failure in the way it was funding public safety. Only because of the exceptional work of Police Chief Larry Kanzler was the City been able to do what it had with minimal resources. There was no question that crime was going to increase and that Milwaukie would be severely impacted if it walked the edge of minimal funding for public safety. Unless the City took a different approach both library and police would lose. He hoped in the process that different solutions would be identified.

**Ms. Barnes** was grateful for the funds for the library. She discussed her daughter's recent involvement in the poetry program and her sense of pride in participating. There were young teens going to the library in the evening. She referred to e-mail from Peter Koonce regarding economic development funding. She recommended setting money aside for economic development efforts. It was time for the City of Milwaukie to start playing offense. Milwaukie had to find a way to draw the attention of those who want out of Multnomah County because of the taxes. It was a short drive. The City needed to actively pursue those people so the tax base increased. Ms. Schockner wrote in her memo about incentive pay for officers, and Barnes felt it should be for all employees. She did not understand why it was just for one department. She asked if Milwaukie hired police officers that did not at least have an associate's degree. Her greatest concern was covering the wage and benefit increases. If the City was at the edge with this budget, it scared her to wonder where the needed funds would come to adequately fund future needs.

**Mr. Swanson** said these expenses would come from contingency. He made the point now that his first priority is to reestablish the contingency. Hopefully, there would be a favorable Qwest decision, and his recommendation would be to put the first dollars into contingency. He discussed his "pushing the limits" to balance the budget. It was no mistake that he kept saying push the limit. He knew he



would have to raid the contingency, but his first priority was to reestablish it if and when the court of appeals ruled in the cities' favor.

**Mr. Bernard** believed that the library and police are a core services. The only way to solve the current problems was not to increase fees but to increase the value of the community. There were new housing projects, annexations, industrial projects, and the King Road project. The City needed to continue on that path. He discussed Ms. Barnes's comments about economic development and encouraging Portland businesses to look at Milwaukie. He supported the additional traffic officer position.

**Mr. Lancaster** commented one of the problems with the path the City was on was its robbing contingency to fund programs. The fact was all the programs were great. We were cutting into the meat and into the bone with each cut. If the City continued deficit spending by stealing from contingency, it was just a matter of time until there was no contingency. The cuts would be made, but the City would be in a much worse position to do so. In his opinion, the City was going down a very wrong path, and hard decisions had to be made now. Economic development was in place, but he had learned that moving any process that had good impacts took an agonizingly long amount of time. The benefits were years down the road. He encouraged rethinking priorities next year.

**Ms. Barnes** believed today's economic development efforts had already changed things. After visiting one new business, the owner contacted other businesses in Portland about how astounded he was that a mayor and councilor, economic development person, and a county person would sit in his office for an hour and give him information. The City of Portland had not even returned his phone calls. If one other new business came in because Milwaukie representatives sat in his office for an hour that, then that was a tax base the City did not have yesterday. Every time the team went out and for every dollar spent, the team brought money in. The City was investing right now for the future. It was called public relations. Community leaders needed to knock on doors and make people feel welcome.

**Mr. Lancaster** applauded those efforts.

**Ms. Stone** agreed the City should be on the road to economic development but also thought it needed to think about one thing. The City needed to find out why businesses were not coming in, and some had cited demographics. She referred to comments Ms. Schockner made at the last meeting. There were a lot of chronic nuisance properties in Milwaukie. They definitely brought down the standard and the value of property in the City. This was not helping Milwaukie with its economic development. It was not helping businesses see Milwaukie in a favorable light. She wanted to see fines on these chronic nuisance properties. She understood Swanson would provide some preliminary information.

**Mr. Swanson** said he and Code Compliance Coordinator Steve Campbell have discussed this, and there were a number of models. For example, one city doubled the fine amount if a similar violation reoccurred within a 24-month period. One city actually defined a habitual offender and fined them no less than \$1,000 on certain convictions. After the third conviction, the fine was in excess of \$1,000. Campbell was working with the city attorney to draft an ordinance for City Council on chronic nuisances. Between February 2003 and May 2004, there had been 20 properties with repeat offenses.

**Ms. Stone** wanted clarification on the redo of the Transportation System Plan (TSP). There are line items in planning and engineering at \$25,000 and \$15,000 respectively. She asked if that was the total cost.

**Ms. Rouyer** said the budget reflected the anticipated costs. This paid primarily for consultant work. Like any plan, the TSP needed to be updated periodically. It also needed to be simplified. The planning department expense came out of the general fund and the engineering expense was funded by operations.

**Ms. Stone** was involved with development of the last TSP and asked if the consultant would solicit public input this time.

**Ms. Rouyer** said absolutely.

**Mr. Bernard** received a letter from Metro telling him Milwaukie had fallen behind on Title 7 and might not receive funding. He understood everyone was stressed, but he hoped this would be made a priority so the City does not lose funding opportunities.

**Ms. Rouyer** added that Mr. Gessner had addressed this with the Council at its last meeting, and a consultant may be needed.

**Mr. Aschenbrenner** asked the City Council for direction on what the Budget Review Board should work on during the upcoming year.

**It was moved by Ms. Schockner and seconded by Mr. Michel to approve the proposed budget with the revisions submitted by the budget officer as contained in the draft resolution and further that pursuant to ORS 294.406(1), the ad valorem property tax rate for the City Fund (Fund 110) shall be \$6.5379 and the property tax amount for the Public Safety Debt Service Fund (Fund 240) shall be in the amount of \$300,000. Motion passed unanimously among the members present.**

#### Capital Improvement Plan Adoption

**It was moved by Mr. Bernard and seconded by Mr. Ball to adopt the Capital Improvement plan. Motion passed unanimously among the members.**

Adjournment

**It was moved by Mr. Bernard and seconded by Ms. Barnes to adjourn the Budget Committee meeting. Motion passed unanimously among the members present.**

**Chair Aschenbrenner** adjourned the meeting at 7:10 p.m.

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Pat DuVal, Recorder